



October 24, 2007

**SUMMARY OF
EX PARTE PRESENTATION**

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWA325
Washington, DC 20554

**Re: Special Access Rates for Price Cap Local Exchange Carriers, AT&T Corp.
Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange
Carrier Rates for Interstate Special Access Services; WC Docket No. 05-25 and
RM- 10593**

Dear Ms. Dortch:

On behalf of the United States Telecom Association (USTelecom), Jonathan Banks, Senior Vice President, Law and Policy and I met with Chris Moore, Legal Advisor, Wireline Issues, on October 23, 2007, to discuss the Federal Communication Commission's pending special access rulemaking. The discussion focused on the points set out in USTelecom's attached presentation in the special access docket referred to above.

Pursuant to Section 1.1206(b) of the Commission's rules, one copy of this electronic notice is being filed in the above-referenced docket. Please call me if you have any questions.

Sincerely,

Robert Mayer
Vice President, Industry and State Affairs

cc: Chris Moore



Where the business and technology of
communications and entertainment meet

Special Access 101

Friday, July 27, 2007

Presenters



Donna Epps
Maggie McCready



Christopher Heimann

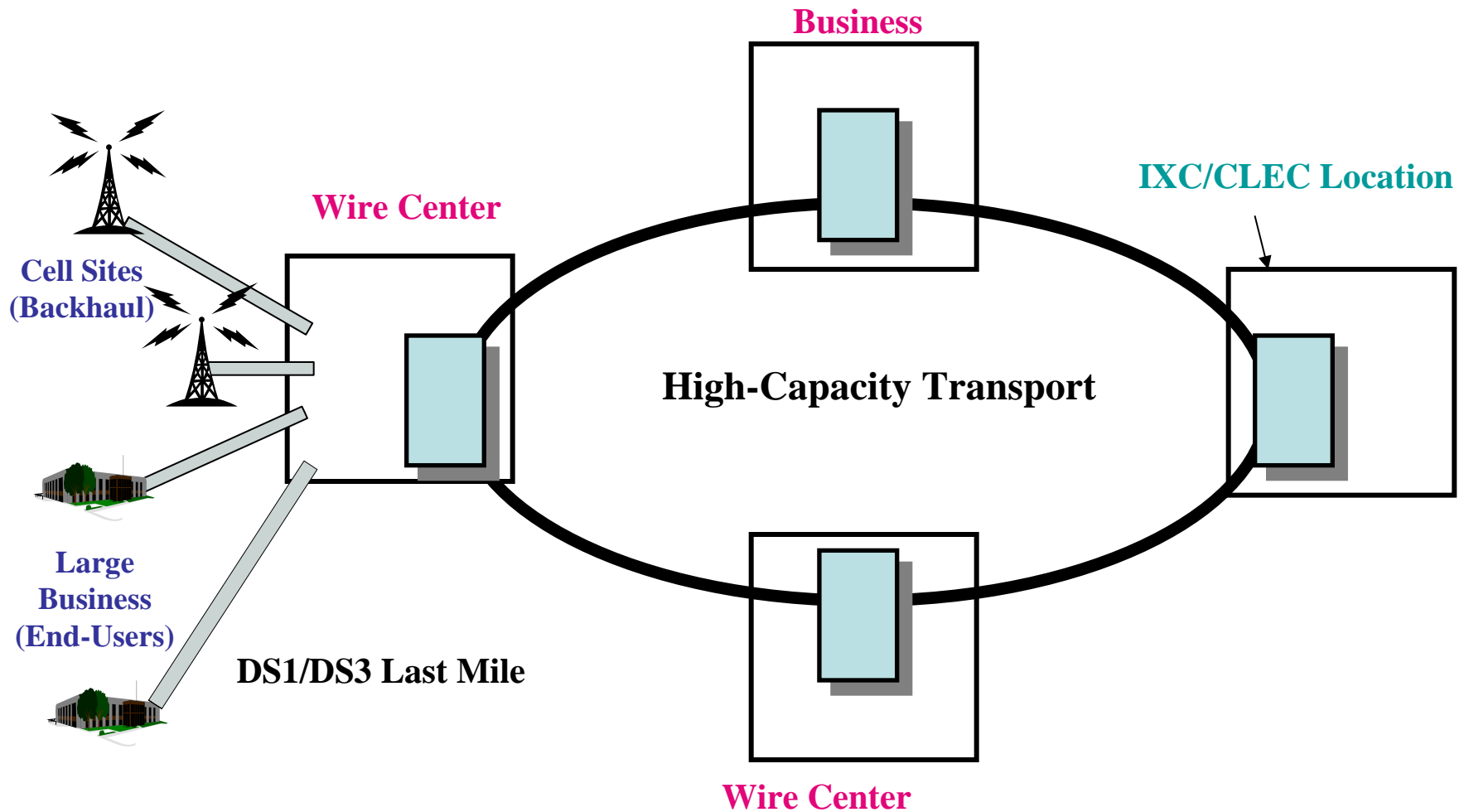


Jeff Lanning



Moderator: Jonathan Banks
USTelecom

What Are Special Access Services?



Special Access is One Type of High-Capacity Transport.

Who Buys Special Access Services?

Wholesale

- **CLECs**
- **Wireless Providers**
- **LECs**

Retail

- **Financial Institutions**
- **Universities**
- **Government Agencies**
- **Corporations**

These buyers are highly sophisticated business customers who leverage their buying power to negotiate substantial discounts

The Provision of High-Capacity Services is Competitive

- The FCC has found that high capacity services such as special access are competitive:

“[W]e find that myriad providers are prepared to make competitive offers ...”

“[C]ompetition for medium and large enterprise customers should remain strong . . . because [they] are sophisticated, high-volume purchasers of communications services . . . and because there will remain a significant number of carriers competing in the market.” *Verizon/MCI Merger Order* at para. 74.

- In prior proceedings, we have demonstrated:
 - There is an average of 19 competitive networks in the top 50 MSAs.
 - In Verizon’s region, there is competitive fiber in nearly two-thirds of the Verizon wire centers that account for 80 percent of Verizon’s demand for high capacity services.
 - Over 50% of AT&T’s demand for DS1 and DS3 special access services lies within 3 blocks of known competitive fiber.
 - In areas where AT&T received Phase II pricing flexibility, the number of competitive providers doubled between 1999 and 2004.
- Multiple special access competitive alternatives exist in Embarq’s exchanges:
 - At least 10 competitive special access providers are present in Embarq’s top four markets.
 - Most markets have 5 competitors.

Who Are The Competitors?

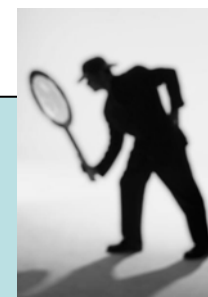
- Traditional Players Like:



- And New Players Like:



Challenge: Uncovering Deployment Of Competitive Facilities.



Competitive Examples

- Cox has won several major contracts with wireless providers in Las Vegas for both transport services and cell tower connections.
- AT&T Mobility purchases up to 2/3 of its DS3s and over half of its DS1s from competitive providers in certain markets.
- In June 2007, a large wireless carrier invited proposals to meet a goal of 100% fiber to its cell sites in the Southeast:
 - 3 ILECs bid
 - 18 cable and competitive fiber providers participated

Competitive Examples

- Embarrq experiences competition from both competitive CLECs and Cable companies:
 - 75% of special access lines have either CLEC or Cable alternatives.
 - 50% of special access lines have both CLEC and Cable alternatives.

Prices Customers Pay for Special Access Have Declined

- In prior proceedings, Verizon showed that:
 - For special access services overall, the prices customers pay have declined by an annual rate of 16 percent.
 - From (2002-2004), prices customers pay for DS1 and DS3 loops have declined annually by 5% and 7% respectively. This is even faster than would have been required by the FCC's price cap rules.
- In prior proceedings, AT&T showed that, between 2000 and 2004, in areas in which it received Phase II pricing flexibility, its prices for DS1 and DS3 services fell by 13% and 5% respectively in nominal terms, and by 18% and 10% after adjusting for inflation.
- Embarrq's Special Access rates have also declined
 - DS3 rates (5-yr rates) have declined by 17% - 52% in our top markets (NV, FL, NC).

Proponents of More Regulation Misconstrue Pricing Facts

- Proponents erroneously point to high capacity “sticker prices” to argue rates are excessive.
- ILECs offer discounts of 40-70 percent off the “sticker prices.” The majority of customers purchase under discount plans.
- Proponents deliberately do not reveal the prices they actually pay for services.

The GAO Special Access Report

- GAO confirmed that since the advent of the pricing flexibility regime, customers are paying less for special access in both areas of traditional and more flexible regulation.
- GAO concluded the FCC should gather better data.
 - Page 59 of the GAO report states: "We were unable to collect data on prices that competitive firms charged; therefore, those prices are excluded from this analysis. We asked competitive firms to supply prices, however, they did not."
- Some of GAO's other conclusions were flawed because it had incomplete data.
 - Competing providers did not provide GAO with the information it needed to properly assess the market for its study.



Where the business and technology of
communications and entertainment meet

Special Access 101

Friday, July 27, 2007